

MEETING OF THE BOARD OF BANK ADVISORS

November 24, 2014

11:00 am

Department of Financial Institutions
324 South State Street, Suite 201
Salt Lake City Utah

Minutes

BOARD MEMBERS PRESENT:

Craig White, Jason Price, Eric Schmutz, Matt Packard, Roger Shumway.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Tom Bay, Paul Allred, Darryle Rude, Shaun Berrett, Bryan Howe, PJ Christensen, Joni Woods, and Sonja Long. Commissioner Leary is excused.

OTHERS PRESENT:

Lew Goodwin, Green Dot Bank; Doug DeFries, Bank of Utah; Andrew Howard, American Bank of Commerce; Leonel Castillo, American Bank of Commerce; Michael Fosmark, Continental Bank; Howard Headlee, Utah Bankers Association; Ray Dardano, Marlin Business Bank; John Sorensen, Home Savings Bank; Don Norton, Capital Community Bank; Jon Allen, Bank of American Fork; and David Armbruster, Grand Valley Bank.

1. Call Meeting to Order – Chairman Roger Shumway

Roger welcomed new board member Jason Price from Prime Alliance Bank.

2. Minutes –

There were two sets of minutes to vote on. Matt Packard made the motion to accept both sets of minutes, Craig White seconded the motion. It was unanimous.

Roger asked Jason to introduce himself. He also asked the new examiners and Administrative Secretary to introduce themselves.

3. Legislative Preview – Paul Allred

He gave a handout. He explained that the Department has a deadline of requesting a bill file of December 1. Normally we approach a member of the Legislature sometime in November to ask someone to sponsor our bill. This year we pushed that up to October.

We met with Senator Bramble on October 15 to ask him to sponsor our bill. He graciously granted that request. At their next interim committee meeting, Senator Bramble asked that it be made a committee bill. This means the bill would be heard in November interim committee meeting. We had to hurry and get all of the text into that bill. Paul got to present the bill at the committee meeting on November 19 as Commissioner Leary was out of town. His handout is the summary that the Department prepared for that committee meeting. A few of the things is bill does are:

- First, we take what we have had codified in our Administrative Rule on Money Transmitters R331-14 and put it into statute.
- Second, to move some non-depository lenders over to register on the NMLS.

It came out of committee with a favorable vote. Senator Bramble described it as they need to tee up some bills and have them ready the first week of the session.

There was a discussion on some other topics for the legislative session. Howard Headlee summarized a recent meeting with the mortgage bankers.

4. Community Bank Conference Recap – Chairman Roger Shumway

He gave a handout. Commissioner Leary invited Roger to attend this conference. It was the 2nd annual conference. He gave the outline and a couple of speeches. He went over the highlights of the conference. He also said that an invitation has been extended to some for an ABA Commercial Real Estate Committee. They are tackling some problems with definitions similar to banks. He also mentioned an RMA meeting.

5. New Capital Rules Overview – Tom Bay and Shaun Berrett

Tom gave a handout. It is a cheat sheet that Shaun created for the department to use as this new rule comes out. The objective of this new rule is to require more and better capital. It starts in January 2015, it will be reported on the March 2015 CALL Report. There are a lot of details with this rule. The department is also trying to get up to speed on it. Tom went over some of the basics of the rule.

6. Community Bank Performance Trends – Tom Bay

They gave out a customized version of the Performance Trends report for those who have them. They customized it so that you could see your net interest margins. Tom went through the report. Shaun explained how these reports are produced. Net interest margins are one of those things that aren't calculated the same from different companies who provide CALL Report data.

7. Commissioner Comments

8. Other business –

Leonel Castillo sits on an FDIC Board and has recently returned from a Board Meeting. Roger asked him to summarize what was discussed at that meeting. The topics they discussed were, update on bank initiatives including branches research; EGRPRA; regulatory report, primarily the CALL Report; update on Cybersecurity and recent Supervisory Guidance. He appreciates the resources that FDIC has to do research. He gave a handout titled forthcoming research. The FDIC is trying to understand the role of branch banking. He talked about that a little bit. One of the things that they always discuss is the Technical Assistance videos. There is some good stuff there. They have three new videos coming out shortly. The Paperwork Reduction Act is going to be reviewed in 2016. In regard to Bank Regulatory Reporting there was a discussion regarding the CALL Report. The FFIEC goes through on a regular basis and evaluates the CALL Report. Right now, they are trying to make a determination to decide if they should go through a formal review in 2015; this is partly driven by some of the capital changes that we discussed in today's meeting, or if they should wait until their regularly scheduled meeting in 2016. They discussed having some FDIC provided training on the CALL Report, and there is a lot of concern about the manual input that is required on the CALL Report. It was suggested that FDIC work with some of the vendors to see if there isn't some way to reduce the manual input. The other big topic was Cybersecurity. There was a general observation from the FFIEC earlier this year they did a pilot program with about 500 banks. One of the things that they have concluded from that is that the current guidance on cybersecurity and IT remains relevant in today's environment. They recommend that we take a look at that guidance and look at it through different eyes. Their perspective is that we need to take a stronger look at evaluating the security risk that we each have outside of us.

The last handout was on prepaid cards. Lew Goodwin gave a quick background on prepaid cards. The FDIC had FIL a week or so ago. Their chairman Steve Streit was on the panel for a hearing. Green Dot is very supportive with what the CFPB are doing, they are trying to make sure that customers have protection in Reg E, and that they can dispute items that show up on their card. Another item is full and transparent disclosures, making sure that the customers can look at and compare what the cards have to offer. And that they are going to crack down on any lending and overdraft services that are tied to prepaid cards.

Roger asked Darryle if he had anything for the board. Darryle thanked everyone for attending. He updated everyone that the Department has been re-accredited with CSBS. In December we will start the examiner hiring process again. He agreed that Cybersecurity is a hot topic right now. Other hot topics are interest rate risk and ALM. There has been resurgence in BSA activities as well.

9. Date of next meeting – February 23, 2015 – 11:00 am